

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**APPAREL INPUTS IN “SHORT SUPPLY”: TEXTURED POLYESTER YARNS**

Investigation No. 332-428-005

May 2001



# Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

## U.S. International Trade Commission Investigation No. 332-428-005<sup>1</sup>

Products	Apparel of textured polyester yarns
Requesting Party	Malden Mills Industries, Inc., Lawrence, MA, and Val D’or, Inc., New York
Date of Commission Report: USTR Public	May 14, 2001 May 2001
Commission Contact	Dave Michels (202-205-3352); dmichels@usitc.gov

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO THE PRESIDENT ON MAY 14, 2001. ALL CONFIDENTIAL BUSINESS INFORMATION HAS BEEN REMOVED AND REPLACED WITH “\*\*\*.”

### Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible Caribbean Basin countries from textured polyester yarns, regardless of the source of the yarns, would likely have no adverse effect on U.S. yarn producers because there currently is no known U.S. production of such yarns in commercial quantities. \*\*\*. The proposed preferential treatment could have a slight adverse effect on U.S. apparel firms producing the fleece apparel domestically, and their workers, and would likely benefit U.S. producers of fabrics made from such yarns and U.S. apparel firms assembling the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some duty savings resulting from the proposed preferential treatment.

### Background

On March 14, 2001, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-428, *Apparel Inputs in “Short Supply”: Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2001 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).<sup>2</sup>

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on March 26, 2001, alleging that 150 denier/140 filament cationic and disperse-dyeable yarn cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from knitted fabrics produced in the United States of such yarns, regardless of the source of the yarns. The President is required to submit a report to the House

<sup>1</sup> Commissioner Marcia E. Miller did not participate in this review.

<sup>2</sup> For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of March 21, 2001 (66 F.R. 15886), as well as the special area on its Internet site for the investigation ([www.usitc.gov/332s/shortsup/shortsupintro.htm](http://www.usitc.gov/332s/shortsup/shortsupintro.htm)).

Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be proclaimed, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.<sup>3</sup>

### **Brief discussion of products**

The yarn named in the petition is classified in subheading 5402.33.60 of the Harmonized Tariff Schedule of the United States (HTS), which provides for textured, multiple (folded) or cabled yarns of polyester filaments. Malden Mills Industries, Inc. (a petitioner) uses the subject yarns principally in the manufacture of knitted fleece fabrics—patented under the brand-name Polar-Tec®—for apparel classified in HTS chapter 61 (knitted or crocheted apparel).<sup>4</sup> The principal knitted garments made from the subject yarns are women's polar fleece tops, jackets, trousers, and pajamas, for which the general rates of duty range from 16.3 percent to 32.8 percent ad valorem.

The subject yarns are made by intermingling two separate filament fibers, each with different dye absorption characteristics. The filament fibers are produced by the extrusion of melted polyester “chip” through spinnerets.<sup>5</sup> The filament fibers may be stretched slightly upon drawing from the spinnerets or further drawn as they cool. The drawing process serves to orient the polymer molecules on the longitudinal axis of the filament fibers, which are referred to in the industry as partially oriented yarn (POY).<sup>6</sup> POY is made in large quantities for a wide range of apparel and non-apparel applications.<sup>7</sup>

To make a yarn that will impart the look or feel of a natural fiber product, the POY is subjected to “texturizing” (or texturing), a process that creates more bends, loops, or crimps in the filament fibers.<sup>8</sup> The process uses a variety of methods to heat, stretch, spin, fluff, ply, and air brush the filament fibers to achieve the desired qualities in the finished yarn. Texturizing can also impart unique or special qualities to a finished product that do not exist in natural materials.

In the case of the subject yarn, the filament fibers of more than one POY may be combined, or intermingled, in the texturizing process by distributing a certain number of filament fibers evenly throughout the finished yarn.<sup>9</sup> The two types of filament fibers possess different dye absorption characteristics, so that an evenly mottled or “heather” effect is produced in the dyed fabric and in the end-use apparel articles; improper intermingling (or “entanglement”) results in piece-dyed fabrics that are speckled in color.<sup>10</sup> Malden Mills, which currently imports the subject yarn from Italy, stated that a uniform and proportional distribution of the filament fibers in the yarn is absolutely critical to the physical characteristics of the fabric.<sup>11</sup> According to industry sources, the subject yarn is only one of perhaps

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<sup>3</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

<sup>4</sup> If the fleece fabric is made into a lining for a coat or jacket for which the outer shell is made from a woven fabric, the garment would be classified in HTS chapter 62 (apparel, not knitted or crocheted).

<sup>5</sup> Abit Adanur, *Wellington Sears Handbook of Industrial Textiles*, Technomic Publishing Co., Lancaster, PA, 1995, pp. 57-59.

<sup>6</sup> *Ibid.*, and *Dictionary of Fiber & Textile Technology*, Product/Technical Communications Services, Hoechst Celanese Corp., 1990, p. 109. POY is sometimes referred to as “pre-oriented yarn.”

<sup>7</sup> Shawn J. Dougherty, Marketing Strategist, Titan Textile Co., telephone interview by Commission staff, Apr. 19, 2001.

<sup>8</sup> Abit Adanur, *Wellington Sears Handbook of Industrial Textiles*, pp. 57-59.

<sup>9</sup> Although the petition states that the subject yarns are made of 140 filaments, an industry source stated that the yarns will have actual filament counts within five of the number stated. Cathy Butihl, Milliken & Co., Inc., telephone interview by Commission staff, Apr. 19, 2001.

<sup>10</sup> Ronald J. Sorini, Senior Trade Advisor, Sandler, Travis & Rosenberg LLC, Chicago, IL, on behalf of Malden Mills and Val D'or, petition filed with CITA, Mar. 23, 2001.

<sup>11</sup> Al Morin, Malden Mills, telephone interview by Commission staff, Apr. 20, 2001.

three or four different yarns used together to produce the fleece fabric, and the fabric contains only a relatively small proportion of the subject yarn.<sup>12</sup> Sources stated that the use of the subject yarn is solely for the purpose of creating a unique fashion fabric with the desired heather-dyed qualities.<sup>13</sup> The petition states that no other yarn available in the United States can be substituted for the subject yarn that will achieve the required look of the fabric needed to make the particular polar fleece garments.<sup>14</sup>

### Brief discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector that might be affected by the proposed preferential treatment are the yarn spinners, fabric manufacturers, and apparel producers. According to the American Yarn Spinners Association (AYSA), Gastonia, NC, and the American Fiber Manufacturers Association, Inc., Washington, DC, there are three known domestic firms that state they can or do produce the subject yarn: Titan Textile Co., Inc. Paterson, NJ; Milliken & Co., Spartanburg, SC; and Unifi, Inc., Greensboro, NC. All three firms stated that they have the equipment and the capability to produce and intermingle the POY, and can accept orders of any size for the subject yarn.<sup>15</sup> \*\*\*<sup>16</sup> 17 18 Milliken stated that it is not currently making the subject yarn, but is willing to begin production immediately, and has the knowledge base required.<sup>19</sup>

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### Views of interested parties

The only written statement filed with the Commission concerning this review was from Titan Textile Co., Inc., which states that it has the ability and capability to produce and supply three different yarns that are all within the physical specifications identified by Malden Mills.<sup>23</sup>

### Probable economic effect advice<sup>24</sup>

The Commission's analysis shows that granting duty-free and quota-free treatment to certain apparel articles made in eligible CBTPA beneficiary countries from the subject yarn would have no adverse effect on U.S. yarn producers because there currently is no known domestic production of the subject yarn in commercial quantities. \*\*\*.

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<sup>12</sup> Jim Conner, American Yarn Spinners Association (AYSA), telephone interview by Commission staff, Apr. 18, 2001.

<sup>13</sup> Shawn Dougherty, Titan Textiles, telephone interview by Commission staff, Apr. 19, 2001.

<sup>14</sup> Ronald J. Sorini, Sandler, Travis & Rosenberg LLC, submission to CITA, Mar. 23, 2001.

<sup>15</sup> Written submissions to CITA from Shawn J. Dougherty, Marketing Strategist, Titan Textile Co., Inc., Apr. 9, 2001; John F. Nash, Jr., Washington Counsel, Milliken & Co., Apr. 12, 2001; and Stewart Q. Little, Senior Vice President, Sales, Unifi, Inc., Apr. 16, 2001.

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<sup>19</sup> John F. Nash, Jr., Milliken & Co., written submission to CITA, Apr. 12, 2001.

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<sup>23</sup> Shawn Dougherty, Titan Textile Co., Inc., written submission to the Commission, Apr. 12, 2001.

<sup>24</sup> The Commission's advice is based on information currently available to the Commission.

The proposed preferential treatment is expected to benefit U.S. producers of knitted fleece fabrics made from the subject yarns, and their workers. The finished apparel is price competitive, and lowering the price on such apparel would likely result in increased sales and corresponding demand for the knitted fabrics. The proposed preferential treatment is expected to have little adverse effect on any domestic producers of similar knitted fleece fabrics that are not made from the subject yarn, which compete with the heather-styled fleece fabric used in apparel.

The proposed preferential treatment is also expected to benefit U.S. and other apparel firms making garments in eligible CBTPA beneficiary countries from fabrics made of the subject yarns. The expected increase in imports of such apparel from the CBTPA beneficiary countries, although likely to be small, would most likely displace imports of any similar apparel entering free of duty from Mexico under the North American Free-Trade Agreement and dutiable imports from Asian countries. Although imports are believed to account for the majority of the fleece apparel market, there could be a slight adverse effect on any domestic producers of competing fleece apparel. (The Commission was unable to verify domestic production levels for such apparel within the time constraints for this review.)

U.S. consumers of apparel made from the subject yarns would likely benefit from the proposed preferential treatment because importers and retailers are likely to pass through some of the duty savings to consumers in today's highly competitive retail apparel market. In addition, consumers may benefit from having access to a wider range of apparel articles made from the subject yarns.